

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re:

Chapter 11 Case No.

Lehman Brothers Holdings Inc., et al.,

08-13555

Debtors.

JUNE 2015 POST-EFFECTIVE OPERATING REPORT

JUNE 1, 2015 – JUNE 30, 2015

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

DEBTORS' ADDRESS: LEHMAN BROTHERS HOLDINGS INC.
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REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., AS PLAN ADMINISTRATOR

Date: July 30, 2015

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SCHEDULE OF DEBTORS

The following entities (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. The Debtors’ Chapter 11 cases remain open as of the date hereof.

	<u>Case No.</u>	<u>Date Filed</u>
Lehman Brothers Holdings Inc. (“LBHI”)	08-13555	9/15/2008
LB 745 LLC.....	08-13600	9/16/2008
PAMI Statler Arms LLC.....	08-13664	9/23/2008
Lehman Brothers Commodity Services Inc. (“LBCS”)	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”)	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOT”).....	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. (“LBDP”)	08-13899	10/5/2008
Lehman Commercial Paper Inc. (“LCPI”).....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”)	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. (“LBFP”)	08-13902	10/5/2008
Lehman Scottish Finance L.P.	08-13904	10/5/2008
CES Aviation LLC	08-13905	10/5/2008
CES Aviation V LLC.....	08-13906	10/5/2008
CES Aviation IX LLC	08-13907	10/5/2008
East Dover Limited	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009
BNC Mortgage LLC	09-10137	1/9/2009
LB Rose Ranch LLC	09-10560	2/9/2009
Structured Asset Securities Corporation.....	09-10558	2/9/2009
LB 2080 Kalakaua Owners LLC	09-12516	4/23/2009
Merit LLC	09-17331	12/14/2009
LB Somerset LLC.....	09-17503	12/22/2009
LB Preferred Somerset LLC.....	09-17505	12/22/2009

The Company has established an email address to receive questions from readers regarding its financial disclosures. The Company plans to review questions received, and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome relative to the value of information requested, the Company shall endeavor to post a response (maintaining the anonymity of the questions’ origination). The Company assumes no obligation to respond to email inquiries.

Please email questions, with document references as needed, to:

QUESTIONS@lehmanholdings.com

The Company’s previously posted responses can be found on the Epiq website maintained for the Company:

www.lehman-docket.com under Key Documents, Responses to Questions Submitted

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES**BASIS OF PRESENTATION
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
JUNE 1, 2015 – JUNE 30, 2015**

The information and data included in this June 2015 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but notes that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

Other items:

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, investment grade corporate bonds and commercial paper, and AAA-rated asset-backed securities secured by auto loans and credit card receivables.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
4. Beginning and ending cash and investment balances exclude the following:
 - Cash posted as collateral for hedging activity; and
 - Cash held at real estate owned properties or at third party real estate managers.

5. Restricted cash balances are based on preliminary estimates and are comprised of the following items as of June 30, 2015:

(\$ in millions)	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total		
Reserves for Claims:							
Disputed unsecured claims ⁽¹⁾	\$ 1,882	\$ 1,515	\$ 16	\$ 309	\$ 3,722	\$ -	\$ 3,722
Tax claims ⁽²⁾	0	25	-	4	29	-	29
Distributions on Allowed Claims (not remitted) ⁽³⁾	113	1	50	4	168	-	168
Secured, Admin, Priority Claims and Other ⁽⁴⁾	69	15	9	9	101	-	101
Subtotal, Claims Reserves	2,064	1,556	74	326	4,021	-	4,021
Cash pledged to JPMorgan (CDA) ⁽⁵⁾	76	-	-	-	76	-	76
Citigroup and HSBC ⁽⁶⁾	2,034	-	-	-	2,034	-	2,034
Other ⁽⁷⁾	181	21	8	25	234	83	317
Total	\$ 4,356	\$ 1,577	\$ 82	\$ 351	\$ 6,366	\$ 83	\$ 6,449

Totals may not foot due to rounding.

- (1) Represents the cash reserve for the principal amount of the disputed unsecured claims subsequent to the seventh Plan distribution on April 2, 2015.
- (2) The \$29 million at LBSF and LBCC represents the cash reserve for non-income tax issues.
- (3) Includes (i) approximately \$69 million related to claimants subject to Office of Foreign Asset Control (“OFAC”), and (ii) \$99 million related to other open items.
- (4) Includes approximately \$28 million related to post-petition intercompany payables and \$74 million related to other administrative and other activities.
- (5) Represents \$76 million of cash deposited into accounts by LBHI and pledged to JPMorgan (and its affiliates, “JPM”) pursuant to paragraph 6(b) of the Collateral Disposition Agreement (“CDA”) with JPM effective March 31, 2010; related to, but not limited to, clearance exposures and derivative exposures pending resolution of these items.
- (6) Represents cash deposited on or prior to September 15, 2008 by the Company in connection with certain requests and/or documents executed by the Company and Citibank N.A. of approximately \$2 billion and HSBC Bank PLC of \$26 million, including interest earned thereon. The Company is in discussion with HSBC Bank and commenced litigation against Citigroup regarding these deposits, among other things.
- (7) Other includes (i) various pre-petition balances on administrative hold by certain financial institutions of \$91 million; (ii) asserted misdirected wires and other cash received by LBHI for the benefit of third parties and Non-Controlled Affiliates of approximately \$55 million; and (iii) other miscellaneous items of \$171 million.

Restricted cash balances herein do not include other cash reserves required for operating expenses, asset preservation and other commitments (e.g. anticipated investments).

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Summary Schedule of Cash Receipts and Disbursements
June 1, 2015 - June 30, 2015

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	Total	
Beginning Free Cash and Investments (06/01/15)	\$ 290	\$ 71	\$ 137	\$ 573	\$ 1,070	\$ 605	\$ 1,675
Restricted Cash	4,355	1,577	81	351	6,364	82	6,446
Beginning Total Cash and Investments	4,645	1,648	217	924	7,434	687	8,121
Sources of Cash							
Commercial Real Estate	54	-	1	-	55	3	59
Loans (Corporate and Residential)	2	-	4	-	6	2	8
Private Equity / Principal Investing	3	-	3	-	6	31	37
Derivatives	-	15	-	-	15	-	15
Receipts from Affiliates	0	-	-	-	0	-	0
Other	(59)	1	19	2	(37)	2	(36)
Total Sources of Cash	(1)	16	28	2	45	38	83
Uses of Cash							
Non-Operating							
Commercial Real Estate	(0)	-	(5)	-	(5)	(2)	(7)
Loans (Corporate and Residential)	(0)	-	-	-	(0)	-	(0)
Payments to Creditors	(20)	-	-	-	(20)	-	(20)
Other	(1)	-	-	-	(1)	(2)	(3)
Operating Expenses	(20)	(0)	(0)	(0)	(20)	(3)	(23)
Total Uses of Cash	(41)	(0)	(5)	(0)	(45)	(7)	(52)
Net Cash Flow	(41)	16	23	2	(0)	31	31
Inter-Company Transfers, Net	(98)	2	0	104	9	(9)	(0)
Loan Agencies, Net	0	-	1	-	2	-	2
FX Fluctuation	1	0	0	0	1	0	2
Ending Total Cash and Investments	4,507	1,666	242	1,030	7,445	710	8,155
Restricted Cash	(4,356)	(1,577)	(82)	(351)	(6,366)	(83)	(6,449)
Ending Free Cash and Investments (06/30/15)	\$ 152	\$ 89	\$ 160	\$ 679	\$ 1,080	\$ 627	\$ 1,706

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
June 1, 2015 - June 30, 2015

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

			Debtors			Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	Total	Total
Beginning Free Cash and Investments (06/01/15)	\$ 290	\$ 71	\$ 137	\$ 573	\$ 1,070	\$ 605	\$ 1,675
Restricted Cash	4,355	1,577	81	351	6,364	82	6,446
Beginning Total Cash and Investments	4,645	1,648	217	924	7,434	687	8,121
Sources of Cash							
Commercial Real Estate							
Principal (a)	54	-	0	-	55	3	58
Interest	0	-	1	-	1	-	1
Loans (Corporate and Residential)							
Principal	1	-	4	-	6	0	6
Interest	0	-	0	-	0	2	2
Private Equity / Principal Investing							
Principal	3	-	3	-	6	31	37
Interest and Dividends	-	-	0	-	0	-	0
Derivatives							
Return / (Posting) of Hedging Collateral, net	-	10	-	-	10	-	10
Collections from Live / Terminated Trades	-	5	-	-	5	-	5
Receipts from Affiliates							
Distributions from Non-Controlled Affiliates	0	-	-	-	0	-	0
Other							
Other (b)	(59)	1	19	2	(37)	2	(36)
Total Sources of Cash	(1)	16	28	2	45	38	83

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
June 1, 2015 - June 30, 2015

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	Total	
Uses of Cash							
Non-Operating							
Commercial Real Estate							
Preservation of Assets	(0)	-	(5)	-	(5)	(2)	(7)
Loans (Corporate and Residential)							
Preservation of Assets	(0)	-	-	-	(0)	-	(0)
Payments to Creditors							
Payments to Creditors	(20)	-	-	-	(20)	-	(20)
Other							
Other	(1)	-	-	-	(1)	(2)	(3)
Operating Expenses	(c)						
Compensation and Benefits	(d)	(6)	-	-	(6)	(2)	(8)
Professional Fees		(12)	-	(0)	(12)	(0)	(13)
Other	(e)	(1)	(0)	(0)	(1)	(1)	(2)
Total Uses of Cash		(41)	(0)	(5)	(45)	(7)	(52)
Net Cash Flow		(41)	16	23	2	(0)	31
Inter-Company Receipts	(f)	10	2	0	104	117	122
Inter-Company Disbursements	(f)	(108)	-	-	-	(15)	(122)
Loan Agencies, Net		0	-	1	-	-	2
FX Fluctuation		1	0	0	0	0	2
Ending Total Cash and Investments	(g)	4,507	1,666	242	1,030	710	8,155
Restricted Cash		(4,356)	(1,577)	(82)	(351)	(83)	(6,449)
Ending Free Cash and Investments (06/30/15)		\$ 152	\$ 89	\$ 160	\$ 679	\$ 627	\$ 1,706

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
June 1, 2015 - June 30, 2015

Unaudited (\$)

Notes:

- (a) Cash collections primarily include \$54 million at LBHI from the sale of an interest in a land development in California.
- (b) Other includes the net variation margin of (\$41) million paid on the Company's foreign currency hedging program primarily related to movements in the Euro, British Pound and Swiss Franc.
- (c) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Controlled Entities.
- (d) Compensation and Benefits includes the Company's employee expenses as well as fees paid to Alvarez & Marsal (A&M).
- (e) Operating Expenses - Other includes payments related to outsourced services, IT, occupancy, taxes, insurance and other general administrative items.
- (f) Inter-Company Receipts and Disbursements primarily include the partial repayment by LBHI to LOTC of \$100 million related to a \$605 million loan made to LBHI by LOTC in March 2015. Intercompany transfers also include partial repayments on intercompany balances and other administrative activities.
- (g) Ending Total Cash and Investments for Debtor-Controlled Entities - Other includes \$70 million of cash balances at Debtor-Controlled Entities in Asia.

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES**BASIS OF PRESENTATION
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
JUNE 1, 2015 – JUNE 30, 2015**

The information and data included in this June 2015 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities had filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, including certain information as required by the Office of the United States Trustee, based on the information available to LBHI at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
2. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Company has incurred additional professional fee expenses during the reporting period that will be reflected in future Operating Reports as cash payments are made to providers.
3. The professional fee disbursements presented in this report have primarily been paid by LBHI; a portion of these fees have been and will be allocated to Debtors and certain Controlled Entities based on the dedicated costs associated with each entity and an allocation methodology.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities
Schedule of Professional Fee and Expense Disbursements
June 2015 (a)

Unaudited (\$ in thousands)

		Jun-15	Year-to-date
Alvarez & Marsal LLC	Interim Management	\$ 1,654	\$ 10,312
Professional Fees			
Akerman Senterfitt & Eidson PA	Special Counsel	52	334
Curtis, Mallet-Provost, Colt & Mosle LLP	Litigation Counsel	705	3,454
Dechert LLP	Special Counsel	1	226
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	370	1,959
Jones Day	Litigation Counsel	946	4,142
Jones & Keller, P.C.	Special Counsel - RMBS	855	4,091
Milbank Tweed Hadley & McCloy LLP	UCC Litigation Committee and Litigation Counsel	120	1,174
Paul, Hastings, Janofsky & Walker LLP	Special Counsel - Real Estate	38	544
Quinn Emanuel Urquhart Oliver & Hedges, LLP	Litigation Counsel	1,970	10,388
Recovco Mortgage Management LLC	RMBS - Private Label And Downstream Litigations	897	4,051
Skadden, Arps, Slate, Meagher & Flom LLP	Special Counsel - Tax, Litigation, Other, and BOD counsel	127	389
Weil Gotshal & Manges LLP	Lead Counsel - Debtors	2,153	13,172
Willkie Farr & Gallagher LLP	Special Counsel - RMBS	689	2,316
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives and RMBS	528	3,579
US Trustee Quarterly Fees		-	445
Other Professionals	Various	3,382 (b)	17,604
Sub-total Professional Fees		12,834	67,869
Total Professional Fees (including A&M)		14,487	78,182

(a) The Company has incurred additional professional fee expenses that will be reflected in future Operating Reports.

(b) Other Professionals reflect disbursements, including expert witnesses fees, to over 100 vendors.